

MAYOR & COUNCIL

Mayor Robert E. Walkup

Ward 1 José J. Ibarra

Ward 2 Carol W. West

Ward 3 Kathleen Dunbar

Ward 4 Shirley C. Scott

Ward 5 Steve Leal

Ward 6 Fred Ronstadt

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The City's TTY for the Hearing Impaired
is 791-2639.

CITY STAFF

James Keene
City Manager 791-4204

Ned Zolman
Budget Director 791-4551

Kay Gray
Finance Director 791-4893

The complete City of Tucson budget is available
online at www.cityoftucson.org/budget

Your comments and suggestions about the City
of Tucson's budget are welcome. An "online
town hall" has been set up at
www.cityoftucson.org/forum where you can
provide input and ideas on City budget issues.
You are encouraged to offer suggestions,
discuss issues, and even air gripes. The
comments will be regularly reviewed by City
staff in order to answer questions and present
information as appropriate.

CITY STRATEGIC PLAN

Even in these difficult budget times, it is
important that the City of Tucson continues to
move forward in addressing important
community needs. The Mayor and Council
have adopted a Strategic Plan which identifies 6
focus areas for the City of Tucson:

- n Transportation
- n Downtown
- n Growth
- n Economic Development
- n Neighborhoods
- n Good Government

Within each focus area are key strategies and
projects to help move Tucson forward. Despite
budget cutbacks, the City of Tucson is
committed to insuring these areas remain a
priority and that we continue to make progress.

A copy of the City Strategic Plan is available
online at www.cityoftucson.org

City of Tucson

THE CITY'S BUDGET

PROBLEM

*Some Basic Facts for
Concerned Citizens*

One Community, One Future

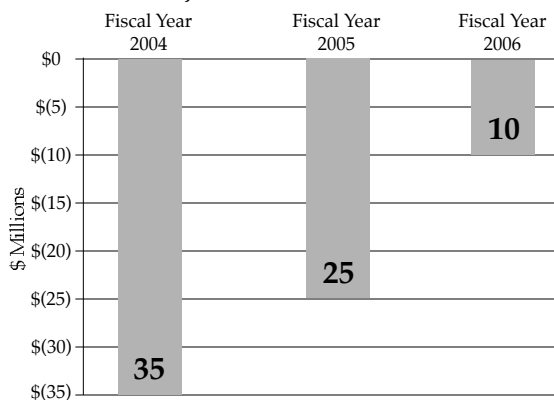
The City's Budget Problem

SOME BASIC FACTS FOR CONCERNED CITIZENS

State and local governments are facing the worst financial crisis since World War II. Arizona has been identified as one of the seven most fiscally troubled states in the nation. The City of Tucson, which has been cutting back its budget for the past two years is faced with hard choices for the next budget year (FY 2004) that begins on July 1. The City of Tucson is especially vulnerable to budget cuts because of the loss of revenue due to rapid growth in the unincorporated county over the past 30 years, our undiversified revenue base, infrastructure and service deferrals going back many years, and an insufficient investment in business and downtown for many years.

The City budget will need to be cut back over the next three years (FYs 2004, 2005, & 2006). The problem is especially acute for next year, FY 2004. It is the city's General Fund budget, supported by general tax dollars, that is at risk. The deficit for FY 2004 is \$35 million. It is another \$25 million for FY 2005 and \$10 million for FY 2006. The gap between revenues and expenditures for the general fund totals \$70 million over the next 3 years.

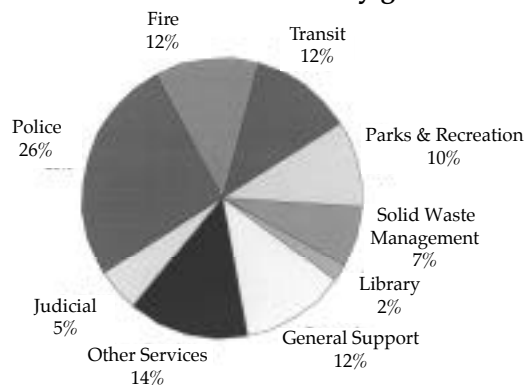
Projected 3-Year Deficit



The General Fund totals \$392 million this year and funds core city services that define livability and quality of life for Tucson citizens. As the following pie chart shows, close to 75% of the General Fund pays for these 5 major service areas:

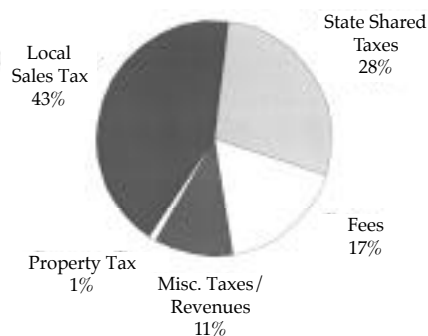
- Public Safety (Police, Fire, Judicial)
- Transit (Sun Tran)
- Parks & Recreation
- Solid Waste Management
- Library

Where does the money go?



The next pie chart below shows where funding comes from to pay for general fund services. The majority of revenues come from the City sales tax (43%) and state shared revenues (state sales tax, state income tax, and state auto in lieu tax) (28%). These revenues, especially sales tax, are very dependent on the performance of the economy which has not been good lately.

Where does the money come from?

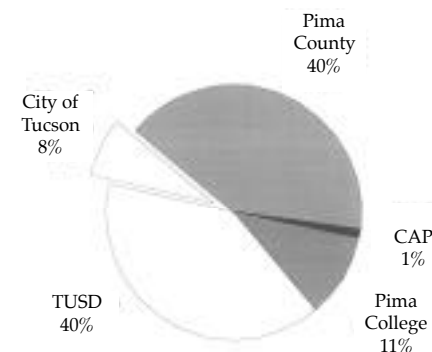


Your Property Taxes

Most people don't realize that only a very small portion of their property tax bill goes to fund City services. The majority goes to fund County services and schools. On a typical property tax bill of \$1,474, the city gets \$112 or 8% of the total. Of that \$112, only \$21 goes to fund direct general fund services –

police, fire, transit, solid waste, parks and recreation, and libraries. The remaining \$91 is the secondary tax which pays debt service on voter approved bond projects.

Property Tax Distribution



Pima County residents (which means City of Tucson residents) pay a high property tax rate relative to other counties in Arizona. This impacts the City of Tucson's ability to raise new revenue and impacts our community's economic competitiveness. Businesses often cite our comparatively high property tax rate as a reason for not locating here.

High county taxes paid by Tucson residents

	Pima	Maricopa
Primary	\$ 4.07	\$ 1.21
Flood Control District	0.35	0.21
Library District	0.21	0.04
Fire District Assistance	0.05	-
Secondary	0.82	0.08
Total	\$ 5.50	\$ 1.54

One of the reasons for the high Pima County property tax rate is that our community has a large urban unincorporated area and counties aren't designed to provide urban services. City residents, of course, pay these taxes to help fund the County. If these areas were a part of the City of Tucson, our community would receive an additional \$60-\$80 million in state shared revenue.